

ILLINOIS
COMMERCE COMMISSION

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STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

CHIEF CLERK'S OFFICE

COMMONWEALTH EDISON COMPANY)

Petition for declaration of service currently provided)
under Rate 6L to 3 MW and greater customers as a)
competitive service pursuant to Section 16-113 of the)
Public Utilities Act and approval of related tariff)
amendments.)
)
)

Docket No. 02-0479

Direct Testimony of

THOMAS K. O'CONNOR

Chief of Maintenance and Operations
Metropolitan Water Reclamation District of Greater Chicago

August 29, 2002

1 **Q.** Please state your name and business address.

2 **A.** Thomas K. O'Connor. My business address is 100 East Erie, Chicago, Illinois

3 60611.

4 **Q.** By whom are you presently employed and in what capacity?

5 **A.** I am employed by the Metropolitan Water Reclamation District of Greater

6 Chicago ("District"). I am currently the District's Chief of Maintenance and

7 Operations ("M&O").

8 **Q.** Mr. O'Connor, how long have you been employed by the District, and for

9 what period of time have you been the Chief of M&O?

10 **A.** I have been employed by the District since 1978. I have been the Chief of

11 M&O since 1993.

12 **Q.** Mr. O'Connor, what is your educational background?

13 **A.** I hold a BSCE from the University of Notre Dame and I received J.D. from

14 DePaul University College of Law.

15 **Q.** Mr. O'Connor, could you describe the services provide by your employer,

16 the Metropolitan Water Reclamation District of Greater Chicago.

17 **A.** The District is a unit of local government created by the state legislature

18 for the purpose of collecting and disposing of sewerage, reducing pollution of

19 the waterways and preventing flooding. 70 ILCS 2605/1, *et seq.* ("District

20 Act"). The District's service area is most of Cook County. In its capacity as a

21 public health agency, the District operates seven sewage treatment facilities in

22 its service area, serves five million residents and treats an average of 1.4

23 billion gallons of sewage daily. The primary funding mechanism for the

24 District's operations is *ad valorem* property taxes collected from property
25 owners within its service area.

26 **Q. What function does the M&O Department perform within the District?**

27 **A.** The M&O Department has approximately 1200 employees and a budget of
28 \$180 million. The duties of the M&O Department include, but are not limited
29 to, the following:

- 30 • Maintaining and operating the District's collection and treatment facilities
31 that treat over 540 billion gallons of wastewater yearly. These facilities
32 include: seven water reclamation plants; 550 miles of intercepting sewers
33 with approximately 430 controlled connections; 24 remote pumping
34 stations; 93 miles of the tunnel and reservoir plan with 145 controlled
35 connections; 5 side stream elevated pool aeration stations; and 31 retention
36 reservoirs.
- 37 • Removal, processing, beneficial reuse and environmentally safe disposal
38 of biosolids, which are a byproduct of the water reclamation process.
- 39 • Management of energy costs by maximizing off-peak use of electricity,
40 voluntary curtailment of electric use during peak periods, collection and
41 use of methane gas, the improvement and maximization of the District's
42 hydroelectric generator, and seeking reliable service at a reasonable
43 cost to the taxpayers.

44 **Q. Do you supervise the 1200 M&O employees and oversee M&O's \$180**
45 **million budget?**

46 A. Yes.

47 Q. **Do your duties include the budgeting and procurement of electrical**
48 **services for the District's wastewater treatment plants and pumping**
49 **stations?**

50 A. Yes.

51 Q. **Immediately prior to becoming the Chief of M&O, what position did**
52 **you hold with the District, and what were your job responsibilities?**

53 A. Prior to becoming the Chief of M&O, I was the Contract Administrator for
54 for M&O for approximately four years. As Contract Administrator, I
55 reviewed all of the contracts issued by the M&O Department.

56 Q. **Who provides the District with its electrical service and how much does**
57 **the District spend per year on electrical service to its major facilities?**

58 A. The District currently utilizes the bundled services of Commonwealth
59 Edison Company ("ComEd"). For the calendar year 2001, the District's six
60 water reclamation facilities and its Mainstream Pumping Station incurred
61 approximately \$29 million in charges for electric power and energy supplied
62 by ComEd. (See attachment "1" hereto.) All of the aforementioned services
63 were billed under ComEd's Rate 6L-Large General Service ("Rate 6L").
64 ComEd has advised us that the District's electrical usage makes the District
65 one of ComEd's 10 largest users in northern Illinois.

66 Q. **What is the peak demand for the District facilities served under Rate 6L**

67 A. The peak demand is approximately 81 MW.

68 Q. **Mr. O'Connor, are you familiar with the Petition for Competitive Service**

69 Declaration ("Petition") filed with the Illinois Commerce Commission by
70 Commonwealth Edison Company in Docket No. 02-0479?

71 A. Yes. I reviewed the Petition and certain of the testimony.

72 Q. In its Petition, ComEd states that when the General Assembly adopted
73 the "Electric Service Customer Choice and Rate Relief Law of 1997;"
74 which amended the Public Utilities Act, 220 ILCS 5/1-101, *et seq.* by
75 adding Article XVI, the legislature contemplated the evolution of a
76 competitive market. (Petition, ¶ 1). ComEd further alleges that the
77 General Assembly encouraged the Commission to "act to promote the
78 development of an effectively competitive electricity market that operates
79 efficiently and is equitable to all consumers." (*Id.*) Mr. O'Connor, from
80 the District's perspective, if the relief sought by ComEd is granted by the
81 Commission, will it promote the competitive goals cited by ComEd in its
82 Petition?

83 A. No.

84 Q. What is the basis of your answer?

85 A. The District is a public health agency relied upon by over 4.5 million
86 residents. The District must have a reliable source of electricity to operate its
87 wastewater treatment facilities. Furthermore, the District is subject to the
88 Property Tax Extension Limitation Law, 35 ILCS 200/18-185, *et seq.* ("Tax
89 Caps"). Tax Caps impose a limit upon the amount of funds the District can
90 raise from year to year via *ad valorem* property taxes. Consequently, the
91 District must not only be able to accurately budget its energy costs from year

92 to year, but must also operate within the limits of Tax Caps. The relief sought
93 by ComEd will inhibit, not foster, competition. For example, the District has
94 been developing a request for proposals for electric energy service. The
95 District wanted to test the market while still having a safe harbor, i.e.
96 ComEd's Rate 6L, to return to in the event the alternate supplier defaulted or
97 its services became uneconomical. If ComEd's proposal is adopted, however,
98 the District would not be able to return to Rate 6L once it leaves for another
99 supplier. In the event of a default, the District would be compelled to take
100 service under ComEd's Hourly Energy Pricing service, which is extremely
101 volatile, or seek out a third party supplier. Neither option gives the District
102 the reliability and the certainty in budgeting necessary to provide its essential
103 public health services to the millions of residents across Cook County. In
104 effect, the District believes that ComEd's proposal will decrease competition
105 because users such as the District will be reluctant to test the market because
106 of the inability to return to Rate 6L. In addition, for those users who have
107 already left, they may be forced to immediately return in order to lock in Rate
108 6L through May of 2006.

109 **Q. Did you review the Direct testimony of Arlene A. Juracek, ComEd's Vice**
110 **President of Regulatory and Strategic Services, that was filed in**
111 **conjunction with ComEd's Petition in July of 2002?**

112 **A.** Yes I did.

113 **Q. At page 8 of her testimony, Ms. Juracek states that Rate 6L customers**
114 **"... no longer need the "safety net" of a fixed price rate, and unlimited**

115 access to such a rate at this point impedes rather than encourages the
116 ongoing transition to an even more fully competitive market for electric
117 service. In fact, to maintain the availability of Rate 6L for those
118 customers under these conditions runs the risk of “killing the market
119 with kindness,” as I discuss below.” (lines 137-141). From the
120 District’s experience, will the removal of the safety net impede the
121 transition to a competitive market?

122 A. No. In fact, as I stated above, just the opposite is true. The District will be
123 less inclined to go into the marketplace and shop for electrical services if the
124 safety net is removed. The District was willing to test the market knowing
125 that its public health functions would not be jeopardized in the event of a
126 default by another supplier because the District had the so-called “safety net”
127 of Rate 6L. Without the safe harbor of Rate 6L, the District will be much less
128 likely to test the market and expose itself to the potentially dramatic
129 fluctuations in price and the reliability of a retail supplier.

130 Q. Mr. O’Connor, in its Petition, ComEd also cites as evidence that there is
131 adequate and healthy competition for the 3MW and greater 6L customers
132 the fact that “70% of the 3 MW and greater 6L customers have made a
133 competitive choice with 44% of the 3 MW and greater Rate 6L customers
134 that are taking delivery service purchasing their power and energy from
135 non-affiliated RESs.” (Petition, ¶ 11). How do you respond to that?

136 A. The fact that 44% of customers are purchasing their power and energy from
137 non-affiliated RESs only demonstrates that the current transitional period with

138 a safe harbor in place is working to foster competition. If customers had
139 always been precluded from returning to Rate 6L once they choose another
140 supplier, as now proposed, competition would have been diminished because
141 companies would not have taken a chance to leave in the first place without a
142 safety net. This is the position the District will be in if the relief sought by
143 ComEd is granted. Removal of the Safe Harbor provision will stifle
144 competition because the District and other similarly situated customers
145 contemplating going into the marketplace will refrain from doing so
146 because they will have no economical choice in the event of a problem with
147 their RES.

148 **Conclusion**

149 **Q. Does this conclude your testimony?**

150 **A.** Yes.

Summary of the MWRDGC's Electric Usage

In calendar year 2001, the MWRDGC used over 570 Million kWh at an average cost of \$0.05231 per/kWh. The following table provides a summary of the MWRDGC's 2001 Usage and Cost.

Summary of 2001 MWRDGC Usage and Cost

Plant Site	Plant Peak Max Demand (kW)	Annual Energy Usage (kWh)	Total Electric Cost ($\text{\$}$)	Average Cost ($\text{\$/kWh}$)	Rate Schedule
Calumet Water Reclamation Plant	23,693	100,364,169	\$6,755,262	\$0.0673	6L
John E. Egan Water Reclamation Plant	4,552	20,468,515	\$1,206,671	\$0.0590	6L
Hanover Water Reclamation Plant	1,506	7,588,249	\$443,145	\$0.0584	6L
James C. Kirie Water Reclamation Plant	6,499	27,811,762	\$1,686,614	\$0.0606	6L
Lemont Water Reclamation Plant	438	2,467,680	\$144,863	\$.0587	6
North Side Water Reclamation Plant	9,777	64,860,027	\$3,635,898	\$0.0561	6L
Stickney Water Reclamation Plant	45,439	271,364,036	\$13,019,276	\$0.0480	6L
Main Office Building	1,486	4,507,942	\$ 378,669	\$0.084	6T5
Mainstream Pumping Station	37,514	68,627,270	\$2,417,525	\$0.0352	6L
Various Pumping Stations	NA	8,326,499	\$602,688	\$0.0724	024
Wilmette	29	98,615	\$9,347	\$0.0948	6
<u>TOTAL</u>	<u>130,933</u>	<u>576,484,764</u>	<u>\$30,299,958</u>	<u>\$0.05256</u>	

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Docket No. 02-0479

NOTICE OF FILING

TO: SEE ATTACHED SERVICE LIST

PLEASE TAKE NOTICE THAT ON August 29, 2002, we have forwarded for filing with the Chief Clerk of the Illinois Commerce Commission, Donna Caton, 527 East Capitol Avenue, Springfield, Illinois 62701, the Direct Testimony of Thomas K. O'Connor.

Dated: August 29, 2002

Metropolitan Water Reclamation
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By: _____

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CERTIFICATE OF SERVICE

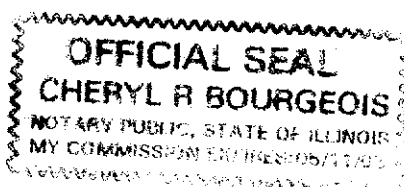
I, Ronald M. Hill, being first duly sworn, on oath state that I served and filed the foregoing Direct Testimony of Thomas K. O'Connor, Docket No. 02-0479, via Federal Express delivery to the Chief Clerk of the Illinois Commerce Commission, Donna Caton, 527 East Capitol Avenue, Springfield, Illinois 62701, and electronically served the persons shown on the attached Service List.

Ronald M. Hill

Subscribed and sworn to before me
this 29th day of August, 2002.

Cheryl R. Bourgeois

Notary Public



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